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A CRITICISM

OF

LORD FARRER ON THE MONETARY STANDARD.

BY

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A CRITICISM
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LORD FARRER ON THE MONETARY STANDARD.*

"How unprofitable it is for any nation to suffer Idleness to suck the breasts of Industry, needs no demonstration."—Sir Josiah Child, 1690.

LORD FARRER'S recent article upon the Standard of Value seems to require some notice from those who are advocates of monetary reform. Whatever may be thought of its substantial effect, when due account is taken of its noteworthy admissions, and its frequent inconsistencies, it is, in form, an attack upon bimetallists; and it deserves consideration, not merely from the high position and long official experience of the writer, but also because it is one of the very few attempts which have been made to deal seriously, upon grounds of reason and fact, with the scientific principles upon which the policy of bimetallism is founded.

It seems to have been expected that Lord Farrer would be answered by one of the bimetallist majority of his colleagues on the Gold and Silver Commission of 1887-8. It is only in the absence of any reply from this quarter, which I very much regret, that I have come forward to fill the gap. There is, perhaps, a certain excuse for my venturing to represent the bimetallist side upon this occasion, for Lord Farrer's article deals very largely with considerations of economic theory, on which an economist has some claim to express an opinion. But Lord Farrer's attitude towards economists is one of such undisguised contempt that I am sorry he should not meet with an antagonist for whom he could feel more respect. "When," he writes, "I see the positiveness with which professed economists assert doctrines which seem to me erroneous or doubtful, and hear their allegation that a few months' study is enough to make an ordinary man an authority on this subject,† I am tempted to heave a sigh, and wonder whether the difference between us is due to their presumption or my own incapacity."

* In reply to Lord Farrer's article in the October number of *The National Review*, "Shall we Degrade our Standard of Value?"

† I am not aware that any economist has ever made such a statement. This insinuation, like the reference to a ratio climbing to 15½ to 1, seems to be a misrepresentation of some evidence given by the present writer before the Royal Commission on Agriculture. When the authorized report appears, anyone who cares to refer to it will see that Lord Farrer's allusions are both palpably inaccurate. Cf. Qns. 26, 957-8; 24,318; and *passim*.

In spite of Lord Farrer's sigh, and of the very painful personal nature of his dilemma, there cannot be a moment's doubt which alternative he means the reader to adopt. I have only one observation to make in deprecation of the prejudice against economists this passage is intended to create. It may be very presumptuous, as Lord Farrer suggests, for professed economists to assert with positiveness doctrines which seem to him erroneous or doubtful. But the presumption will seem less flagrant if the reader considers that the doctrines in question relate to points of pure theory, on which economists have some claim to be regarded as experts; and that while the economists are practically unanimous in their conclusions on these points, Lord Farrer, on many of them, stands almost alone, opposed not merely by professed economists, but by the leading English monometallist, Dr. Giffen.

It is, indeed, curious to notice that the only two really authoritative monometallist writers who have taken part in recent English monetary controversy disagree with one another more profoundly than they do with bimetallists. In fact, if we combine their respective admissions, we find that between them they concede all the essential contentions of bimetallists, excepting, perhaps,* in regard to the possibility of maintaining a fixed ratio, the one point upon which as Mr. Balfour said in the City, all economists under fifty years of age, monometallists and bimetallists alike, are agreed. Fortunately, therefore, I shall seldom be obliged to appeal to the economic authority Lord Farrer holds so cheap in order to repel his attack. If we add to his own admissions in this article his responsible public declarations as a member of the Gold and Silver Commission and the Indian Currency Committee, and supplement any deficiencies by references to the writings of the leading English monometallist, the case for bimetallism will be amply made out.

The real difficulty in dealing with Lord Farrer's article is of a very different kind. On some of the most important points I am unable after repeated readings to discover which of several conflicting views Lord Farrer really holds; and the confusion is made worse confounded by the persistent misconception of the bimetallist position which runs through the whole article, from its question-begging title to its close. To clear up and satisfactorily examine all the separate allegations in a paper of such a kind, extending over twenty-five pages, is evidently impossible. What seems to me most important is first to clear the ground and sharply define the main issues, and then to deal with some of the more fundamental of these issues, so far as space will permit. I propose, then, briefly to recall the salient facts of recent monetary history; next to explain the view bimetallists take of the present situation, and the nature of their practical proposals; and then to consider the more important of Lord Farrer's criticisms. It will be found that whole groups of his objections really hinge upon a few broad questions of principle, in regard to which Lord Farrer's position differs from that generally held by writers on monetary science; and it is these vital and determining issues I intend mainly to consider.

* I say, *perhaps*, because, as we shall presently see, Lord Farrer's utterances on the question of the fixed ratio are most conflicting and contradictory.

The disasters and troubles arising from the monetary anarchy of the last twenty years have at all events had one good result. They have so effectively attracted attention to the study of monetary history that the facts are now beyond dispute, though not yet, perhaps, matter of common knowledge. Setting aside the movements due to periodic outbursts of speculation, we find that after a persistent fall of prices from the Peace of 1815, to the gold discoveries of 1848, there followed a rise, rapid at first, and afterwards more gradual, which culminated in 1873; from which year to the present time there has been an almost continuous fall, only broken by slight recoveries about the dates 1880 and 1890. A reference to the well-known index-numbers of Jevons and Mr. Sauerbeck, which are the bed-rock of all rational and profitable monetary discussion, will give us the measures of these price movements. Putting them in round figures, we may say that prices fell about 50 per cent. between the years 1815 and 1848; that they were on the average 30 per cent. higher, during the twenty-five years after 1852; and that they have fallen from that level nearly 40 per cent. since the year 1873*: so that they now stand 20 per cent. below the lowest point previously reached in 1848, having fallen no less than 10 per cent. (or 7 per cent. on the basis of 1853-77) during the present year alone. The prices with which comparison is made are the prices of wholesale commodities, in accordance with the general practice of statisticians and economists. We shall find later that this practice, however it may have arisen, is defensible on the most rigorous scientific grounds.

Lord Farrer disputes the ordinary explanation of the change in the course of prices which set in about 1873. But it cannot be denied that it was contemporaneous with a profound change in the monetary policy of the civilized world. Until the year 1873 the whole of the gold and silver mined could be minted into money, at a fixed ratio of exchange, without restriction of

* It will be observed that I do not measure the present fall of prices from the extreme point touched in 1873, because this year was one of speculative inflation, arrested no doubt, but still above the average level. Mr. Sauerbeck seems to me to have chosen an admirable base-level in the twenty-five years' average of 1853-77.

quantity. But from the year 1865 onwards an attempt to secure an international system of coins had led to an ill-considered movement in the direction of a universal gold standard, involving for the first time a general anti-silver policy. The first practical expression of this policy was the German demonetization of silver, commenced in 1871-2, which was shortly followed by similar legislation in other countries. This led, in 1873, to a restriction of the free mintage of silver by France ending in its entire suspension. Thus, silver ceased, for the first time, to be convertible into legal tender-money at a fixed equivalence with gold. The gold-value of silver, which for two centuries had only varied within narrow limits, rapidly fell and was subjected to violent oscillations, disturbing the whole trade between East and West. On several occasions since 1873, it has fluctuated more within a single year than it previously did over two centuries, and on the whole it has fallen in twenty years by more than 50 per cent.,—an event without parallel in the previous monetary history of the world.

As, during the same period, the real value of gold has risen in a nearly equivalent degree, it will be obvious that the purchasing power of silver has remained fairly constant,* and, therefore, that silver is still a good money for domestic use in the countries, mostly Oriental, where its use is retained. But the variation in its gold-value has destroyed the old par of exchange between gold- and silver-using countries; and the world is consequently at present, so far as a large part of its international transactions are concerned, hampered by the perplexing divergencies of its two unrelated moneys, and in a worse position, in some important respects, than if it had no money at all.

That these several disturbances, thus briefly noted, have been injuriously felt, can scarcely be denied. The numerous Monetary Conferences, the Commission on the Depression of Trade, the general agricultural distress in gold countries, the serious financial defaulting of the countries which have incurred gold debts, the check to the investment of capital in the undeveloped countries, the difficulties of the export trade where it contends with the falling silver exchange, the grave embarrassments of the Government of India; all these are facts too notorious to be disputed. Nor will it be disputed that as a consequence of these evils, and under the benumbing influence of an indefinite prospect of falling prices, enterprise is exceptionally stagnant, and money is lying idle in the lending centres in masses of unprecedented amount. Thus

* "It may safely be said that there is no evidence of a rise in prices in India. The purchasing power of the rupee has not fallen."—*Royal Commission on Gold and Silver. Report*, § 52. 1888.

we are brought face to face with the really serious aspect of the situation. It is not merely that in the course of the various monetary changes one class has been injured to the profit of another, though injustice of this kind usually brings with it national waste and loss. The important fact is that the general uncertainty of the position, and the recurring experiences of disaster, have generated a feeling of depression, a general state of *malaise*, among the responsible captains of industry; and as a consequence the industrial machine is working at half-steam, and our full capacity of production is seriously restricted.

These being the broad facts, I now come to the interpretation which bimetallists put upon them. Agreeing with economists of all schools and periods that stability of money is of the first importance, they also agree in accepting the only standard yet devised for testing this stability, viz., the average level of wholesale prices. Taking this standard as their guide, they observe (in agreement with Dr. Giffen) that so far as can be judged from past history, the danger is rather that the supply of money will be deficient than excessive. Even when both metals were freely used as money, there was a distinct tendency to a decline of average prices, until the gold discoveries of 1850. But after that time the supply of money seems to have been fully adequate to maintain prices until the restrictions put upon the use of silver which date from the suspension of bimetallism in 1873. And the increasing supply of silver since that date makes it as certain as a monetary estimate can be that if the ancient use of both metals as legal tender-money had been maintained, prices would not have fallen in any material or injurious degree. Bimetallists also hold that the remarkable changes in the gold-value of silver could not have taken place had the system of fixed-ratio mintage remained in operation, but that, on the contrary, this system would have given us, as it did before 1873, a practically fixed par of exchange between gold and silver countries.

They therefore advocate the restoration of bimetallism, as well in the interest of a stable standard of value, as in order to restore the gold and silver par of exchange. However, they recognize that the situation has been somewhat modified by the events which have followed 1873. A moral shock has been given to the position of silver by the hostile legislation of so many Governments tumbling over one another in a *sauve-qui-peut* scramble for gold; and there has been an increased tendency to the use of gold coins for pocket money. Hence they propose that the restored bimetallism shall be founded on a broad international basis, and that it shall be planned rather upon the principle of the Bank purchases of gold bullion under the Act of 1844, than upon the

more primitive system of coinage, so that the existing circulations of the various countries may remain practically undisturbed. Considerable difference of opinion prevails as to the ratio which should ultimately be established, and the best means of reaching it. But English bimetallists, at all events, are agreed as to the two principles on which the choice of a ratio should be based. They are agreed that sudden monetary changes are to be avoided, and that the object to be kept in view, the absolutely fundamental object of all monetary legislation, should be the securing of such a supply of metallic money as may reasonably be expected to keep pace with the demand, so as to preserve, as nearly as may be, the constancy of the purchasing power of money, or, in other words, the stability of the monetary standard.

These general views, as everyone knows, have found favour with a large number of eminent statesmen, financiers, and men of business in all countries, and with the Governments of most of the leading civilized nations, including the highly-skilled Government of British India. It is notorious that the great bulk of modern economic opinion, English or foreign, is on the same side. But I prefer here to point to the findings of the Gold and Silver Commission, where the majority of Lord Farrer's colleagues adopted, or have since adopted, the bimetallist conclusion, while the rest approved most of the principles upon which that conclusion depends. The movement of City opinion in the same direction has been most unmistakable. "It can scarcely be questioned," said the President of the Institute of Bankers last month, "that a large number of persons, some of them of undoubted standing in the City, have become converts to the bimetallic faith." Now, what is Lord Farrer's account of the policy thus respectably endorsed?

It must be said at once that it is an entire burlesque. Lord Farrer states the main proposals of the bimetallists as: first, to fix, by legislation and international agreement, the relative value of gold and silver; secondly, to alter and degrade the ancient standard of England; and these proposals, he says, are "essentially of the same nature" as a proposal that "ten pounds of bread should always exchange for one ounce of meat," and that "in every dealing with labour a shilling an hour should mean sixpence an hour." Put into plain English, this means that the first proposal is an absurdity, and the second a fraud.

I pass over for the present the curious perversity of Lord Farrer's statement of the second proposal, and the mistake in his illustration, which to be accurate should read the reverse way, when it would lose its only point. Is it not a little too strong to impute to statesmen like Mr. Balfour and Mr. Courtney, to the great majority of living economists, and to many of the leading

names in English and foreign finance, that they have with a full sense of responsibility adopted views which can justly be described in such terms? It must be admitted that Lord Farrer's counsels to the economists are not enforced as much as might be desired by his own example. But what makes his present statements more extraordinary is the fact that he has already as a Gold and Silver Commissioner, affirmed in the most deliberate manner the very principle of the fixed ratio which he now desires to represent as ridiculous. Remembering the findings of the six "monometallist" Commissioners in this Report, I could scarcely believe that Lord Farrer had signed those findings without reservation, and then proceeded, within six years, to hold up the most important of them to common derision. But so it is. The only reservation attached to Lord Farrer's signature relates to a highly debatable question as to the interaction of gold and silver prices. In 1888, then, Lord Farrer gave his authority to the following statements:—

Report, Part I., Sec. 192. "So long as that system was in force [the bimetallism of the Latin Union] we think that notwithstanding the changes in the production and use of the precious metals, it kept the market price of silver approximately steady at the ratio fixed by law between them, namely, 15½ to 1."

Sec. 193. "Nor does it appear to us *à priori* unreasonable to suppose that the existence in the Latin Union of a bimetallic system with a ratio of 15½ to 1 fixed between the two metals should have been capable of keeping the market price of silver steady at approximately that ratio."

Part II., Sec. 107. "We think that in any conditions fairly to be contemplated in the future, so far as we can forecast them from the experience of the past, a stable ratio might be maintained if the nations we have alluded to [the U.K., Germany, the U.S., and the Latin Union] were to accept and strictly adhere to bimetallism, at the suggested ratio [a ratio approximating to the average market ratio of the previous two or three years]."

These were among the conclusions (I might have quoted some even stronger sections) which Lord Farrer and the rest of the Commission unanimously endorsed,* after a session extending over two years. It will be seen that he states: first, that the principle is not *à priori* unreasonable (I. § 193); secondly, that it actually did work successfully in the past (I. § 192); thirdly, that if established upon a broader basis, as bimetallists propose, and at a certain ratio, it would work successfully in the future (II. § 107). He now tells us that the proposal to establish such a system is "essentially of the same nature" as the proposal that ten pounds of bread should always exchange for one ounce of meat! Which is Lord Farrer's real view? Such a contradiction, upon a point so vitally important, will serve to illustrate what I have said as to the difficulty of understanding Lord Farrer's position.

* Sir John Lubbock and Mr. Birch, in a note, express their doubt whether the ratio could be permanently maintained. No one, I suppose, would like to pledge himself to the permanence of any monetary arrangement, least of all, of a universal gold standard. But Lord Farrer did not join them in this reservation.

There are some things in every controversy, such as the first four rules of arithmetic, which must be taken for granted, and I do not propose to repeat here the now familiar demonstration of the theoretical principle on which the fixed ratio depends. It is enough to point out that all Lord Farrer's alleged analogies fail, because he does not seem to have observed that in the cases he quotes there is nothing to show any fixed relation of substitution between the various pairs of commodities. Now, the theory of the fixed ratio turns wholly upon the possibility of such substitution; which, again, is a consequence of the law of legal tender which gives the metals, at the agreed ratio, an equal debt-paying or monetary power. I have dealt elsewhere with the principles upon which this theory rests, as well as with its application to the case of the precious metals. Those who desire to study the subject in detail must be referred, as Mr. Balfour said in 1893, to the ordinary text-books. I will not say that all living economists accept the theory, simply because there are some of the older men, those who belong, so to say, to the pre-Jevonian age, who do not even seem to be acquainted with it. But I know no economist familiar with the theory who does not accept it. It has been demonstrated again and again by men of all schools, and from every point of view, and the limits within which, in given conditions, any ratio is possible, have been rigorously determined.* Nor is it one of the points upon which monometallists and bimetallists are divided. It has been held as strongly by monometallists like the late Lord Bramwell and Stanley Jevons, and by Lord Farrer himself in 1888, as by the bimetallists themselves. What is more to the point, perhaps, I am not aware of any attempt that has been made by a serious writer to disprove the principle; though Dr. Giffen, by some unique assumptions as to the impotence of the law of legal tender, disputes its application to the case of the monetary metals. I pass on, then, to consider the other main principle of the bimetallists, their position as to the stability of the monetary standard.

Here, no doubt, we come to a question which deserves our closest attention; not only because Lord Farrer's peculiar view of it is the key to most of the criticisms contained in his article, but because it raises an issue which is fairly debatable, and which, I think, though it is really fundamental, has not been sufficiently debated. In substance, the question is this: All writers on the subject of money agree that a monetary standard is perfect in proportion as it approximates to stability in its value; but what are we to understand by stability, and by what test is it to be measured? The

* See in particular the paper read before the British Association at Oxford by Dr. Irving Fisher, reprinted in *The Economic Journal* for September, 1894.

question may seem highly abstract, but enormous material interests hang upon the answer which our monetary legislation gives to it. Bimetallists, following the instinctive practice of economists and statisticians, have assumed that the value of money is stable when its purchasing power remains the same; or, in other words, when average prices run fairly level; and they have taken as their test of the movement of general prices the prices of continuously-quoted wholesale commodities. When gold prices rise, the purchasing power of gold falls, and *vice versâ*. The rise of average gold prices, then, is only another expression for the depreciation of gold, and the appreciation of gold can mean nothing else, in science as in etymology, than the fall of prices. Whether a fall of prices is brought about by a contraction of the monetary supply, or by an increase in the work money has to do, makes no difference from this point of view. In either case the money is relatively scarce, and therefore appreciates. To ask whether the appreciation is due to monetary causes, or to industrial causes, it is sometimes said, is as idle as to ask which blade of a pair of scissors does the cutting.

Now, there is a sense in which this first view of the question is not only true, but sufficient, as, for instance, if we are considering whether the monetary supply at any given time is in excess or defect. But it is possible, and it may sometimes be necessary, to ask further questions which have a real meaning. Lord Farrer does not very clearly define these questions in his article, but his criticisms are evidently based upon a feeling that there are important issues at stake which are not to be disposed of by a reference to the dictionary, or to the pair of scissors argument. I agree that there are such issues, and it is time they were thoroughly discussed; but so far as I can see, the result of the deeper analysis is only to justify the established practice of economists, and to confirm us in our adherence to the wholesale-prices index-number as the true gauge of monetary stability.

Without denying that the reference to average prices, or to an index-number, is the real test of stability in the standard, it is yet possible to raise certain minor issues. Thus it may be objected that the ordinary index-number is wrongly constructed. Lord Farrer has a number of criticisms to urge against it. Some of these we shall have to consider in other connections, as for instance, his objection that labour is not included, nor retail prices, and his singular observation that wholesale prices are not significant of a change in the value of gold, because wholesale commodities are mainly bought and sold by credit.* To his further objection that

* According to this principle, it would appear that the price of newspapers is determined by the amount of copper in circulation. It is impossible to draw arbitrary divisions of this kind in the continuous ocean of price-valuation.

a fall of prices, to prove a relative scarcity of gold, must be universal, no one accustomed to deal with averages will require an answer. But it is impossible to enter here into all the technicalities connected with index-numbers. I will content myself with reminding the reader that in 1887 the British Association appointed a Committee expressly to consider and report on this subject. The Committee included Dr. Giffen, Mr. Inglis Palgrave, and Mr. J. B. Martin, as well as five professors of economics who had given special attention to the matter. They sat for three years, and presented several reports, some of which are highly technical. But anyone who cares to inquire into details, and who will read Dr. Giffen's report in 1889, will find that the committee substantially confirm the method of construction adopted by careful statisticians like Mr. Sauerbeck, and that his index-number is practically upon the same lines as the one the Committee themselves recommend.

But if the ordinary index-number is a fair test of price movements, it follows that gold prices have fallen, and therefore that gold has appreciated. There still remain, however, questions which may be raised. It may be asked whether the appreciation is due to a temporary cause, such as a pulsation of credit, likely within a short period to correct itself; or whether it is due to some permanent alteration in the relation between money and commodities, not self-adjusting, and perhaps of a cumulative kind. Or, again, it may be asked whether the appreciation is due to some natural failure of the production of the metals to keep pace with the expansion of trade, or to some artificial interference with the monetary supply, due to legislation. Such questions clearly have a real meaning, and they may be of great importance when the price movement has become mischievous, and we have to consider how far it requires or admits of a remedy.

But the really vital issue lies deeper than these. Frequently hinted at by Lord Farrer, and apparently lurking under many a criticism which appears strange to those accustomed to the ordinary analysis of Jevons, we find an assumption which involves a complete change of front, and which once (on p. 181) emerges into definite statement.

"If there could be anything like an ideal standard of value," Lord Farrer writes, "it would be a fixed quantity of labour." Now, if there is not *some* ideal standard, all controversy on the question is idle; and Lord Farrer's attempt to raise a prejudice against bimetallists by alleging that they wish to degrade the standard of value would be not merely inexcusable, but positively meaningless. We must take it, then, that Lord Farrer objects to the ordinary test of commodities, and proposes to substitute for it "a fixed quantity of labour." * Having thus made a radical change in the price unit, just as he subsequently denies the fundamental principle of the theory of price, it is not surprising that in a score of minor criticisms he finds himself opposed to the economists and bimetallists who hold by the received lines.

Here, then, we get to a real issue; and it is one in regard to which there can be no compromise. For labour is no commodity to be smuggled into the index-number with other commodities. If it has ever been so regarded because it happens to appear on the same side of an employer's balance-sheet as the coals which heat his boilers, the analogy is as shallow as it is mischievous. Labour is one of the human factors in production, and its price or remuneration is a form of income. Now, it is certain, as Dr. Giffen pointed out in 1888, that you cannot, in a progressive society, take both incomes and prices as your test of monetary stability. Lord Farrer himself admits that the essential characteristic of material civilization is that incomes measured in commodities continually increase; or, to put the opposition more bluntly, his "fixed quantity of labour" is able to purchase a continually increasing amount of commodities. If, then, you measure the stability of your money by reference to commodities, a stable money will mean that average prices remain generally level, while money incomes rise in direct proportion to material progress. If, on the contrary, you make labour your standard, then a stable money will mean that wages remain generally level, while prices fall in direct proportion to material progress. The attempt to combine both labour and commodities in the same standard would lead to nothing but confusion. The hybrid standard would serve no earthly purpose, except, perhaps, to measure pensions to servants or dependants, while it would effectually prevent our getting a price measure of the changes which are of real social and commercial importance. The real question is, then, Which standard is the better standard, labour or commodities? I take this to mean, which ideal of monetary regulation is best calculated to further the ends for which all economic institutions exist, viz., the smooth development of industry and the just distribution of the wealth it produces.

My first objection to a labour standard is that it is very vague where precision is essential. What is "a fixed quantity of labour"? How is it measured? By time, or by energy, or by

* I speak doubtfully, because though the passage quoted seems quite definite, and agrees best with the general tenor of Lord Farrer's criticisms, I find him elsewhere (p. 175) implying that labour ought to be included in the index-number with commodities, while elsewhere again he often uses the term "depreciating currency" in the ordinary sense as meaning a rise of prices. Thus within the limits of a single article Lord Farrer adopts three inconsistent views upon what is perhaps the most essential issue he raises. It makes the work of a critic unfairly hard.

result ?* Whose labour are we to take ? But it is unnecessary to ask further questions until someone has ventured to reduce the proposal to definite terms. It is a task from which economists have hitherto shrunk; and the difficulties are evidently formidable. Everyone remembers the attempts of Robert Owen and other early Socialists to introduce a money based upon a labour standard. The disastrous failures of their Labour Note Exchanges give us an effective illustration of some of these difficulties. The fact is, as Mill very justly observes, that labour is not a measure of exchange value, but of national progress; and this is a second ground of objection.

Again, Dr. Giffen is quite right in saying that in an historical comparison it is commodities which appear as the fixed unit, and labour as the variable. It is the same in comparisons of place. "If," says Mill, "a day's labour will purchase in America twice as much of ordinary consumable articles as in England, it seems a vain subtlety to insist on saying that labour is of the same value in both countries, and that it is the nature of the other things which is different. Labour in this case may be correctly said to be twice as valuable, both in the market and to the labourer himself, in America as in England." Jevons agrees. "I hold labour," he says, "to be essentially variable, so that its value must be determined by the value of the produce, not the value of the produce by that of the labour."

These considerations, however, may be regarded as mere theo-

* In what follows, I have given Lord Farrer the benefit of the doubt, and assumed that by a fixed quantity of labour, he means a fixed amount of labour-time: *e.g.*, a day's labour. If he means a fixed unit of work, his argument falls to the ground. For though time-wages have not fallen appreciably in gold-value, the cost of labour, that is, of a unit of work, has probably fallen as much as the gold-price of commodities. Indeed, if it had not, it is not easy to see how the gold-price of commodities could have fallen; for cost of labour forms the principal element in the cost of production of most commodities.

Two illustrations will show the importance of this distinction between time-wages and cost of labour.

According to the *Annual Report of the British Iron Trade Association for* 1893, p. 5, the average annual output of an ironstone miner was 559 tons in 1881, and 700 tons in 1891. Now let us suppose his time-wages, measured in money, remain unaltered. Then if *time-wages* are the standard by which we are to test our money, money has been stable in its value. If *cost of labour* is the standard, money has appreciated 25 per cent.

Again, the Editor of *The Shoe and Leather Record*, writing to *The Times*, March 26th, 1895, says: "In America (I write with personal and precise knowledge) the average earnings of shoemakers per week are at least double those taken in this country, while the cost of production per dozen averages about 30 per cent. less than here for goods of medium grade." If we measure the purchasing power of gold by *time-wages*, it is evidently 50 per cent. *less* valuable in America than in England. If we measure it by *cost of labour*, it is 43 per cent. *more* valuable in America than in England.

retical niceties. I come to some which are of obvious practical moment. If we adopt labour as our standard of monetary stability, we have seen that two consequences directly result. The prices of commodities will fall continuously, unless industrial progress ceases; and the level of money wages will be stereotyped, if indeed, by the shortening of the working day, money wages are not positively reduced. Now, it seems clear, whether we appeal to history, to theory, or to business experience, that in a society of the modern type the first of these consequences would be commercially, and the second socially disastrous. That a fall of prices is depressing to trade, and, therefore, so far as it goes, tends to retard the development of production, scarcely requires formal proof. Mr. Balfour has well said that it is probably the most deadening and benumbing influence that can touch the springs of enterprise in a nation; and not only common experience, but the whole technical language of trade confirms his statement. I need not repeat here the well-worn explanations of this depressing effect of falling price. I will remind the reader, however, that we have had at least one very telling object-lesson of the fact. The effect of the Australian gold discoveries was to transform a condition of falling into one of rising prices. We all remember that our previously depressed trade immediately advanced by leaps and bounds, to the great advantage of all classes. Lest it should be said that there was no connection between the prosperity of 1850-73, and the price movement, I will quote the opinion of two able contemporary observers. Writing in 1853, Newmarch observes, "We are justified in describing the effects of the new gold as almost wholly beneficial. . . . It has already elevated the condition of the working and poorer classes: it has quickened and extended trade, and exerted an influence, which, thus far, is beneficial wherever it has been felt." * Jevons, ten years later, fully concurred. "I cannot," he says, "but agree with McCulloch that putting out of sight individual cases of hardships, if such exist, a fall in the value of gold must have, and as I should say has had already, a most powerfully beneficial effect. It loosens the country, as nothing else could, from its old bonds of debt and habit. It throws increased rewards before all who are making and acquiring wealth somewhat at the expense of those who are enjoying acquired wealth. It excites the active and skilful classes of the community to new exertions," &c., &c.†

If bimetallists, because they venture to protest against an artificially produced fall of prices, are stigmatized as degraders of the

* *New Supplies of Gold*, 1853, pp. 89-90.

† *Investigations in Currency and Finance*, pp. 96-7. I need hardly say that by a fall in the value of gold, Jevons meant neither more nor less than a rise in the gold price of commodities.

currency, one can scarcely imagine where Lord Farrer would have found an epithet strong enough for McCulloch, Jevons, and Newmarch who positively approve a *régime* of rising prices. The authority of these men, however, will survive many epithets. If they are right, what are we to think of a monetary system which would guarantee the permanence of falling prices? The distinguished Swiss Professor, M. Walras, has very truly said that such a condition would give us a permanent state of industrial crisis.

If falling prices retard production, it is obvious that they cannot benefit labour in the long-run: though before the adjustments are all made, labour may temporarily increase its relative share of a product, which, but for the fall of price, would have been larger. But what will be the social effect of that other consequence of Lord Farrer's standard, the stereotyping of money wages? It is, of course, true that what is important to the labourer is his *real wage*, not the monetary expression of it; and, to the economist it may seem of little consequence whether money wages rise or fall, if real wages increase. But will any practical man undertake to satisfy a labourer that his position is improving when he finds all advance in his money wages rigidly barred? A monetary system that leads to such a result is as dangerous as it is artificial. Surely the sounder system is one in which the advance in money wages measures and proclaims the advance in real wages, the monetary unit always representing the same amount of commodities, and money wages increasing as the labourer's command over commodities increases.

Let us compare the two standards finally from the point of view of justice. How would Lord Farrer's labour standard hold the scales betwixt debtor and creditor, the active producers and the owners of realized wealth? The effect would be that if labour becomes more efficient, whether through the progress of invention, the greater intelligence and industry of the workman, his increased skill, or what not, the whole of this advantage is to be given to the creditor. He is to receive back the command of the same amount of labour as he lent, say twenty years before, though the productive power of labour may in the meantime have doubled. This is a veritable "Iron Law." Why should the creditor obtain the whole benefit arising from the progress of civilization? I do not wish to say one word in derogation of the just rights of creditors; but it must be allowed that the creditor is in general the passive party in the industrial contract, and to give him the whole advantage of improvement is to take this away from the industrious classes, to whose exertions it was principally due.

The injustice of this is so palpable as to require no illustration; but I should like to put a case, not far removed from represent-

ing historical fact, which will serve to show how Lord Farrer's principles would work in practice. Suppose, then, that a population of Irish cottiers, holding at rack rents, and with no incentives to industry, are enabled by a purchase scheme to acquire the freehold of their occupations in return for a fixed monetary payment covering an agreed term of years. In consequence of their altered position they become more industrious, and the efficiency of their labour is doubled; or, in other words, their labour becomes worth double its previous value in commodities. Now, if they were enjoying steady prices, as they would be if their standard was regulated by the old commodity test, these men would continue to pay as interest on their loans about the same amount of commodities as before. But upon Lord Farrer's system prices would have fallen 50 per cent., and the unfortunate cottiers would have to raise twice as much produce to meet their liabilities as when the contract was first made. Lord Farrer contends that this is no injustice because their labour is twice as productive. I do not think commonsense will endorse his view. But in any case what has the creditor done that his income in commodities should be doubled?

The mortgaged American farmer or continental peasant, and the taxpayers in all countries who have to find the interest of the enormous national debts of modern times, are in a position precisely analogous to that of the supposed cottiers. In short, Lord Farrer's labour standard is an ingenious device for securing that the creditor shall sweep into his net all the gains accruing from social progress. But modern society is so *solidaire* that injustice is apt to recoil on those who inflict it, and cupidity, when excessive, generally overreaches itself. The real interest of the creditor lies in the prosperity of the debtor, and recent experience has abundantly shown that such an arrangement as this, which is radically unfair to the debtor, must, in the long-run, by its depressing effect on enterprise, injure the interests of the creditor class itself.

These, however, are some of the consequences of the position quietly assumed by Lord Farrer, in complete opposition to the hitherto received view, and with scarcely the pretence of any formal justification. The reader must now judge for himself as to the importance of criticisms the majority of which stand or fall with this general assumption. I have only indicated some of the broader and more obvious objections to a monetary standard based, as Lord Farrer would have it, on a labour unit: for to elaborate them all in due detail would require a separate article as long as the present one, and the use of technicalities not suited to a Review.

But, perhaps, enough has been said to justify us in assuming that if the standard by which the stability of money has hitherto been tested is not the best possible, it at least holds the field against Lord Farrer's suggested substitute. When the advocates of the labour standard have explained how it is to be determined and applied, it will be ample time to undertake the detailed criticism which such a scheme will certainly provoke.

I have tried to bring into strong relief Lord Farrer's half-explicit view on the labour unit as the test of stable money, because the point is really quite fundamental in all monetary discussion; and, though Lord Farrer does not consistently adhere to the view here developed, yet, if it be rejected, as I think it must, a large part of the criticism contained in his article at once falls to the ground.

Thus, take his observations on the question of Argentine and Indian competition with a falling exchange. The bimetallists say that the producers in countries like India and the Argentine, where the national currencies have not appreciated, find themselves in a position of vantage as compared with competitors in gold countries, who are struggling against a fall of prices; and there seems some reason to believe that just as a fall of gold prices, arising from a scarcity of gold, will bring down the silver exchange, so a fall in the silver exchange, due to causes independent of gold, may bring down gold prices. Lord Farrer says this involves the absurdity that a country can grow rich at the expense of its neighbours by depreciating its currency. But the argument really turns upon the fact that the silver currency is *not* depreciated. It is only *if, or so far as,* the rupee still retains its old purchasing power in India, that the Indian can afford to sell his wheat for the same number of rupees as before, and therefore for a smaller amount of the appreciated gold. It is the gold-using neighbours that grow poor by appreciating their currency; not the silver-using countries that grow rich by depreciation. This is a point Lord Farrer could not have missed had he adhered to the ordinary monetary doctrine. It throws a curious light, too, upon his proposal to remove the world's present monetary difficulties by inducing silver countries to adopt the appreciating gold standard to which the whole trouble is due. The position that countries with a stable currency have an advantage in competition with those whose currencies are appreciating is quite consistent with the conclusion of the Indian Currency Committee, that "even if a fall in the gold value of the rupee does stimulate exports, the result is not necessarily to the benefit of India as a whole." The falling exchange aggravates the weight of India's debts, and checks the inflow of capital and the development of public works. Monetary disturbance is always mischievous. The exporter's artificially increased gains do not balance the losses

of the non-exporting population. Bimetallists cordially assent to this; in fact, they have always urged that India, no less than Europe, would on the whole gain by the restoration of bimetallism. But this is quite consistent with the belief that the silver exporter has a relative advantage as compared with his competitor in countries with an appreciating gold currency. The reasons for this were very clearly stated by Mr. Bagehot before the Silver Committee of 1876 (see Qns. 1398, 1399, 1403, &c.); the fact is unfortunately matter of only too common knowledge, both in agriculture and trade.*

Again, Lord Farrer remarks that "those who complain of unfair competition caused by a depreciating currency will have done little when they have raised the gold value of Indian silver, unless they can also raise the gold value of South American paper." I need not comment on the peculiar inversion of this statement. But if, as we allege, our difficulties, alike in dealing with silver and paper countries, arise from the fact that our currency is appreciating, while theirs is not, surely it is clear that by correcting this appreciation we shall remove them equally in both cases. We cannot, of course, prevent Argentina from proceeding to further issues of paper, and so producing a real depreciation of her currency. But it is more probable that she would seize the opportunity afforded by the reinstatement of silver to put herself upon a sound metallic basis, and so remove the hindrance to her development caused by the fluctuating premium on the metallic exchange.

This brings me to one of Lord Farrer's most frequent charges against bimetallists, a charge which, unlike many of his criticisms, wears a thoroughly orthodox and academic air. "The deepest and most mischievous fallacy in the bimetallist case," he says, is "the belief in the advantages of a depreciating currency." Here Lord Farrer seems to have dropped the labour standard, and to mean by a depreciating currency simply what other people mean, viz., a rise of prices. Now, the views of English bimetallists on this point were admirably expressed by Mr. Balfour in his speech at Man-

* Cf. the statement of the Chairman of the *Hong Kong and Shanghai Banking Corporation*, August 18, 1894: "Now that we have actually been working for a considerable time with a low level of exchange we can see plainly, as we have anticipated and have not hesitated to predict would be the case, that its effect is to stimulate exports from all silver-using countries and grievously depress imports from the gold-using ones." See also Mr. Simpson's evidence before the Commission of 1885, II. App., Part I., p. 381; and the frequently expressed opinion of Manchester. If the Indian Currency Committee, who admit that theoretical considerations point to the correctness of this view, do not see that it is borne out by statistics, this is partly because they take *all* the exports, instead of merely the exports to gold countries, partly because they take out the value of the exports in appreciated gold instead of in the stable rupee. The question, too, is of relative, not absolute growth of exports. See the figures prepared for the Manchester Chamber by Mr. Dorrington and Mr. Emmott.

chester on October 27, 1892. Answering the charge that bimetallists desire inflation, he says: "I have no such desire. Give me a standard that will remain constant, and I ask of you no more; but if I have to choose, if I am given the unwelcome choice between a standard which appreciates and a standard which depreciates, between a system under which prices are lowered and a system under which prices are raised, then I say, in the interests of every class in the community, not excluding the owners of fixed debts, give me a standard which depreciates, and give me prices that rise." Bimetallists do not advocate depreciation, because they are opposed to injustice, whether to creditor or debtor. But that, in societies of the modern industrial type, depreciation is less generally mischievous than appreciation, history abundantly proves. I have shown by quotations from Newmarch and Jevons that this view is not confined to bimetallists. M. Leroy-Beaulieu, a leading French monometallist, even went so far as to say, in a passage quoted by Mr. Goschen at the Conference of 1878, that the gold discoveries of 1850 had saved France from bankruptcy.

Lord Farrer and those who think with him, when they wish to discredit this view, are very fond of talking about money as mere counters. To suppose that changes in money can have any real effect, for instance, on international trade is, Lord Farrer says, "a delusion." Here, and in other places, Lord Farrer's political economy is of the old, highly abstract, Robinson-Crusoe-Island type. It overlooks altogether the innumerable and complicated relations of a civilized society, with its elaborate network of fixed charges and long-dated contracts. Nor does he consistently adhere to it himself: for both he and Mr. Shaw-Lefevre maintain that the fall of prices has been a national advantage, and especially an advantage to the wage-receivers. Their arguments, however, do not seem to be of a very crucial nature. "The volume of trade has increased since 1873." No doubt. But are there not a hundred causes making for an increase of production? Are education, invention, enterprise, improved conditions of work, better sanitation, restless energy untiring competition, to count for nothing? "Pauperism has diminished." Granted. But we do not say that a morbid monetary condition is sufficient to reverse the march of civilization. It may do serious mischief without being able to neutralize all the forces that make for progress. The United States make rapid advance in spite of their preposterous tariff system; but surely that does not show that the tariff system is not mischievous. Besides, the argument can be so easily retorted. If the progress made in the twenty years after 1873 shows that the falling prices of that period were beneficial, the still more rapid progress made in the twenty five years of rising prices before 1873 must surely prove

that rising prices are still more beneficial. The fact is, that in a social question of this degree of complexity, the *à posteriori* argument is not conclusive. This country seems always to have made some progress, in spite of bad government or faulty institutions; but if this fact were a legitimate argument against the possibility of further improvement, we should never have had our canals and railways. It is enough, surely, if the advocates of monetary reform can show that the appreciation of gold and the loss of the par of exchange, so far as their influence goes, are a retarding force. We progress in spite of them, just as we did with the bad roads which Arthur Young execrated; but we progressed faster with railways, and so we should with an improved monetary system.

Lord Farrer might perhaps be more disposed to admit the force of these considerations, were it not for the view he takes as to the effect of falling prices on the interests of labour. "The strongest argument against degrading the standard is that it would diminish the reward of labour by increasing the price of the things which the labourer has to buy, without increasing his money wages in the same proportion." If this argument were true, it would certainly be strong enough: I should be inclined to regard it as conclusive. Let us examine it with the care it deserves. It is not quite clear what Lord Farrer means by "degrading the standard." Sometimes this is his controversial English for preventing the continued fall of prices, which, according to him, is a mark of a stable standard. But here, if we may judge from the context, it signifies causing prices to rise. Now, if we may use the historical argument of which he is so fond, we can put the matter to a simple test. The gold discoveries of 1850 brought about just such a rise. Can Lord Farrer pretend that they "diminished the reward of labour"? The fact was notoriously the reverse.

But the apologists of falling prices seem to be misled by attending merely to the superficial nominal cheapness which they bring, and ignoring their tendency to cripple production, and lessen the real power to purchase. It may be interesting to quote Mr. Gladstone's opinion on this point, given in 1860, after ten years of rapidly rising prices. In his speech on the Budget of 1860 and the French Treaty of Commerce, after pointing out that the Free Trade measures had not seriously cheapened corn, he observes

"But I do not hesitate to say that it is a mistake to suppose that the best mode of giving benefit to the labouring classes is simply to operate on the articles consumed by them. . . . What is it that has brought about the great change in their position of late years? . . . . It is that you have set more free the general course of trade; it is that you have put in action the process that gives them the widest field and the highest rate of remuneration for their labour. . . It is the price their labour thus brings, not the price of cheapened commodities, that forms the main benefit they receive. That is the principle of a sound political economy applicable to commercial legislation."

It is the principle we wish to apply to monetary legislation. In place of a spurious cheapness, brought about by a fall of prices which depresses production and leads to increased protective duties all the world over, we wish to substitute the real cheapness due to an expansion of trade and an increase of "the price labour brings." We wish further to "set more free the general course of trade" by restoring a common money to the world, and abolishing the "break of gauge" which now impedes the traffic between its two halves.

It is noteworthy that though both Lord Farrer and Mr. Shaw-Lefevre see no injustice in falling prices, and assert that they are an advantage to the nation generally, and especially to labour, neither writer seems to have the courage of his opinions. Instead of boldly advocating, as they logically should, a policy of monetary contraction, monometallists, *enragés* or other, seem as anxious as anyone else to hold out some hope of a recovery of prices. No inflationist could watch with more eager and sanguine expectation than they do the yield of the Johannesburg or Coolgardie mines. It is even suspected that the most monometallist of Chancellors of the Exchequer would be devoutly thankful if he could see any signs of a lift of prices from their low level; though it is he, more than any other individual in Europe, who is responsible for their fall. But is not this a rather singular attitude for those who pose as the special friends of the working classes, and tell them that their happiness is fostered by falling prices? Why do they not tax, or even prohibit, the future import of gold? On Mr. Shaw-Lefevre's principles, we might then expect to see pauperism gradually disappear; on Lord Farrer's, real wages would increase without assignable limit. Perhaps, after all, they have an instinctive feeling that to increase the proportion of the produce of industry taken by the creditor-capitalist is not altogether the surest means of improving the condition of labour, even if the employer is incidentally sacrificed in the process. But there seems to be a certain inconsistency in telling us that the fall of prices is a national blessing, and then trying to reassure us against a continuance of the precious boon!

Before I leave this question of the standard, which has unfortunately occupied nearly all the space at my disposal, there is one matter that calls for remark. It is said that although bimetallists aim at stability of prices, the immediate effect of introducing bimetallism would be to raise prices. But this is inevitable. You cannot move from a situation of artificially produced stagnation to one of normal prosperity without a rise of prices. If, again, it is true, as we allege, that trade and investment are hampered by the "break of gauge," then the restoration of communication will

necessarily lead to an expansion of enterprise and credit. Those who say that every change in prices involves some injustice should have spoken earlier, instead of abetting the greatest contraction of prices but one that modern history can show. The mischief of unduly contracting the monetary supply has been done, and any slight friction that arises in repairing it must be charged to those who made the reparation necessary. Broad national interests must be kept in view in making the change. The object aimed at must be to establish a system under which there is reasonable prospect that the supply of the monetary metals will, on the average, keep pace fairly with the world's monetary demands.

What followed the gold discoveries of 1850 may serve to illustrate, on a larger scale, what I mean. At first there was a somewhat rapid rise of price, until the expansion of trade had thoroughly established itself. After 1855, the average rise of prices is very gradual, showing that though the monetary supply may have been slightly, it was not seriously, in excess. The right proportion of money to trade was very nearly attained, therefore, when the new supplies were available; but in order to reach this equilibrium from the depression of 1848, it was necessary to go through a transition period of rising prices. The evidence seems to me, as it seemed to Jevons and Newmarch, to prove conclusively that no serious inconvenience was caused by the transitional rise. Perfect equity we can never have, in monetary or in any other reform. But those who exclaim against the injustice of a partial recovery of prices after a long decline, must have an ideal of equity which it is not easy to conceive. The man who has lost half his property by a falsification of the monetary standard will hardly think that justice is satisfied by an undertaking that he shall not be robbed of the other half. It will be remembered that objections of this kind were summarily rejected by the Government of William III. at the Great Re-coinage of 1696. Contracts had been made for many years in the light coin, and it was urged that the *status quo* should be accepted, and the new coinage issued on that basis. But on Locke's advice, it was determined to restore the old standard at all costs. No doubt many persons were injured by the change, because it was both great and sudden; but the soundness of the decision has not been generally questioned. A similar and more familiar precedent is to be found in the resumption of cash payments in 1819.

I find I have occupied so much space in dealing with that part of Lord Farrer's argument which seemed most central, and which has given the title to his article, that I cannot follow him in his excursions, under the guidance of Mr. Macleod, into the Theory of Credit, nor in his criticisms of the proposed international agreement. Those

economists who are familiar with Mr. Macleod's extravagances and inconsistencies on the Theory of Credit will appreciate my regret at being unable here to find room for what I had written on this head. However, Dr. Giffen, in his *Essays on Finance*, and Jevons, in his *Investigations*, have already answered in advance everything that calls for serious notice. Enough to say that the substance of Lord Farrer's contentions on this question comes to this: that the supply of metallic money has no controlling influence on general prices, which are mainly determined independently by credit. But then, if this is so, why were we not spared the trouble of these discussions on the standard; and what is the meaning of these charges that we aim at its degradation? For our policy has reference solely to the supply of metallic money; and neither bimetallist nor any other governmental action can have any power to regulate the volume of credit, except in so far as credit bears some intelligible relation to the quantity of the metal into which it is convertible. If, then, these economic sceptics were right, it would be idle to talk of a monetary standard, and no question of its degradation could possibly arise. Monetary science would have no foundation, and the vagaries of prices would be beyond all foresight or control.

The economists have always admitted that the modern use of credit makes the relation between metallic money and prices more complicated, and not always easy to trace. But that the relation, nevertheless, exists, was clearly shown by Thornton, as early as 1802, whose admirable analysis has been developed by a series of able writers since. In fact, the existence of such a relation is the mark which distinguishes a system of convertible paper from one which is inconvertible. Those who, with Lord Farrer, deny it, seem to transcend altogether the matter-of-fact sphere within which monometallists and bimetallists contend. They argue in terms for the restriction of the world's money to the single metal gold; but their reasoning, if really valid at all, would carry them much farther than this. If credit can really replace metal without assignable limit, why not dispense with metal altogether? When the party become sufficiently numerous to require a name, they may fitly be styled no-metallists.

I hope to have some other opportunity of meeting Lord Farrer's objections to the introduction of bimetallism by international agreement. I can now only briefly comment on his general position. His admissions on this head, coming after such trenchantly negative criticism on points of principle, are so remarkable that they must be briefly recalled. He admits the evil from the break of gauge between the world's two moneys. "It would be a great advantage to the trade of the world if all nations could have one

standard of value, and if an approach to it could be made by fixing a ratio between gold and silver." Bimetallism, if established, would give us a less fluctuating standard than the single standard system. Again, "there is nothing contrary to the principle of Free Trade or of justice in the free coinage of two, or of any number of metals." "Nor can I assert, with some economists, that a law cannot create or increase value." The history of French bimetallism, "in spite of all that Mr. Giffen has said, is not to be so easily explained away," and is on the side of the bimetallists. Finally, he does not even hesitate to add that "if any number of great nations" were, with the assent of their populations, to adopt and to adhere to a bimetallic agreement, "it would have the effect of maintaining the ratio thus agreed on."

Then what is it, the reader may ask, that after all distinguishes Lord Farrer from the men whose views he has thought it necessary to characterize as an absurdity and a fraud? Mainly, it would seem, a difference of opinion as to the possibility of establishing and maintaining the system which he agrees with them in regarding as beneficial if it could be so established and maintained. This difference hardly justifies the kind of language Lord Farrer holds to bimetallists. Nor are his objections to the practicability of a bimetallic agreement very weighty. He doubts the power of a legal tender law to overrule the habits and wishes of the governed, and thinks that these tend towards the greater use of gold.* But here he clearly confuses the question of circulation with the question of standard and legal tender reserve. Gold may be used as pocket-money under a bimetallic system, if this is desired, though the majority of the Anglo-Saxon race prefer to use paper for this purpose, even under the system of the gold standard. And as to the supposed conflict between law and convenience, it is certain that, as the governed now make the laws, the bimetallic standard, if introduced at all, will be introduced with their assent. Lord Farrer further thinks a bimetallic agreement would be complicated, and that nations could not agree as to the ratio. It will be noted that even if this were so, it is no argument against bimetallism, but merely indicates a difficulty in establishing it. But the reasons Lord Farrer gives for this view shows that he does not quite understand the form which it is proposed that the international agreement shall take. There would be no necessity to interfere in any way with the existing coins; nor need the ratio at which these coins circulate correspond to the new international ratio, any more than it now does to the ratio existing in the bullion market. The supposed conflict of interests on the choice of a ratio is thus reduced

* Bagehot in 1876 held that "silver is the normal currency of the world." —*Select Committee on Silver*, Qn. 1389.

to a minimum. The agreement might be confined to the purchase of bars in return for legal tender, and reduced to a comparatively simple form, while losing none of its controlling influence on the market value of the metals.

The case for bimetallism does not, on balance, seem to be much weakened, after a comparison of Lord Farrer's admissions and exceptions. It is immeasurably strengthened when we consider the only alternative he has to put forward in its place. This is nothing less startling than "the adoption of a single gold standard by the world." It is courageous and candid of Lord Farrer to frankly avow an aim of this kind. There are many who would shrink from admitting it, though they might not be sorry if we were to drift into something of the sort. But if experience and authority count for anything, it is certain that a universal gold standard would mean universal disaster. It would intensify the monetary disease from which the gold standard countries are now suffering, and transmit it in its aggravated form to the now flourishing silver standard countries. Soetbeer, the author of German monometallism, protested with his latest breath against any extension of the use of gold in Europe; and one hardly likes to imagine the consequences of its replacement of silver in the East. Fortunately, the thing is impracticable. Even Germany has not yet been able to complete the change she commenced in 1871; the Austrian and United States currencies are still in a state of chaos; Italy has relapsed into paper; it would puzzle most men to say exactly how the currency system of India stands. So far as the movement to a gold standard has gone, however, its mischievous results have been patent. Whatever differences have arisen at the various Monetary Conferences, the experts of Europe have been agreed upon this point. The proposal for a universal gold standard has received no support since the nations have had a partial foretaste of what it would really mean.

With this desperate scheme for appreciating the standard of value in our view, what are we to make of the sneering title which heads Lord Farrer's attack? Surely a standard is degraded when it ceases to be just. You may falsify a weight by making it too heavy as well as by making it too light; there is a fraud of the buyer as well as of the seller. It is unnecessary to ask in a civilized country whether we shall degrade our monetary standard. The real question is: Who are the degraders? Is it the bimetallists, who strive to arrest the automatic aggravation of debt, and to prevent idleness from sucking the breasts of industry? or is it the monometallists, who are the apologists and abettors of this mischievous transference of wealth?

H. S. FOXWELL.

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